

Compare the FairTax, the Flat Tax and the Current Income Tax

16th Amendment

- **Current Income Tax:** No Change.
- **Flat Tax:** No Change.
- **FairTax:** Proposes repeal.

Complexity

- **Current Income Tax:** Very complex. 20,000 pages of regulations. IRS incorrect over half of the time.
- **Flat Tax:** Withholding continues. Individuals and businesses must still track income and file income tax forms.
- **FairTax:** Individuals do not file. Businesses need only to deal with sales tax returns.

Congressional Action

- **Current Income Tax:** Used by lobbyists and the wealthy for tax breaks and loopholes. Used by bureaucrats for social engineering.
- **Flat Tax:** Has many of the same problems, but is better than current law.
- **FairTax:** 23% Linder/Peterson FairTax Act (H.R. 25). Employees receive 100% of pay. Social Security and Medicare funded from consumption tax revenue, not your paycheck.

Cost of Filing

- **Current Income Tax:** At least \$250 billion in annual compliance costs.
- **Flat Tax:** Significant compliance costs are somewhat reduced.
- **FairTax:** No personal forms are filed. Significant cost savings.

Economy

- **Current Income Tax:** Taxes savings, labor, investment, and productivity multiple times.
- **Flat Tax:** Imposes a tax burden some of which is still hidden in the price of goods and services.
- **FairTax:** Un-taxes wages, savings, and investment. Increases productivity. Produces significant economic growth.

Equality

- **Current Income Tax:** The current tax code violates the principle of equality. Special rates for special circumstances violate the original Constitution and are unfair.
- **Flat Tax:** A flat tax is an improvement of the current income tax, but it is still open to manipulation by special interests.
- **FairTax:** All taxpayers pay the same rate and control their liability. Tax paid depends on life style. All taxes are rebated on spending up to the poverty level.

Foreign Companies

- **Current Income Tax:** Current tax code places unfair tax burden on U.S. exports and fails to neutralize tax advantages for imports.
- **Flat Tax:** A flat tax taxes exported goods and does not tax foreign imports to the U.S., creating unfair competition for U.S. manufacturers and businesses.
- **FairTax:** Foreign companies are forced to compete on even terms with U.S. companies for the first time in almost 90 years.

Government Intrusion

- **Current Income Tax:** Current tax code requires massive files, dossiers, audits, and collection activities by the IRS.
- **Flat Tax:** A flat tax still requires personal files, dossiers, audits, and collection activities.
- **FairTax:** As the Founding Fathers intended, the FairTax does not directly tax individuals.

History

- **Current Income Tax:** The 1913 income tax has evolved into an antiquated, unenforceable morass, with annual tax returns long enough to circle Earth 28 times.
- **Flat Tax:** A flat tax just won't *stay flat*. Starting out nearly flat in 1913, the income tax grew out of control with top rates over 90% until the Kennedy administration.
- **FairTax:** 45 states now use a retail sales tax of some kind.

Interest Rates

- **Current Income Tax:** Pushes rates up. Biased against savings and investment.
- **Flat Tax:** Reduces rates 25-35 percent. Neutral toward savings and investment.
- **FairTax:** Reduces rates by an estimated 25-35 percent. Savings and investment increase.

Investment

- **Current Income Tax:** Biased against savings and investment.
- **Flat Tax:** Neutral toward savings and investment.
- **FairTax:** Increases investment by U.S. citizens, attracts foreign investment.

IRS

- **Current Income Tax:** Retained.
- **Flat Tax:** Retained with reduced role.
- **FairTax:** Abolished.

Jobs

- **Current Income Tax:** Hurts U.S. companies and decreases available jobs. Payroll tax a direct tax on labor.
- **Flat Tax:** Positive impact on jobs. Does not repeal payroll tax on jobs.
- **FairTax:** Makes U.S. manufacturers more competitive against overseas companies. Escalates creation of jobs by attracting foreign investment and reducing tax bias against savings and investment.

Man-hours Required for Compliance

- **Current Income Tax:** Over 5.4 billion hours per year.
- **Flat Tax:** Reduced.
- **FairTax:** Zero hours for individuals. Greatly reduced hours for businesses.

Non-filers

- **Current Income Tax:** High tax rates, unfairness and high complexity harm compliance
- **Flat Tax:** Reduced tax rates and improved simplicity will improve compliance.
- **FairTax:** Reduced tax rates and fewer filers will significantly increase compliance.

Personal and Corporate Income Taxes

- **Current Income Tax:** Retained.
- **Flat Tax:** Retained in a different form.
- **FairTax:** Both are abolished.

Productivity

- **Current Income Tax:** Inhibits productivity.
- **Flat Tax:** Increases.
- **FairTax:** Increases.

Savings

- **Current Income Tax:** Decreases savings.
- **Flat Tax:** Increases savings.
- **FairTax:** Increases savings.

Visibility

- **Current Income Tax:** Tax compliance costs of the current tax code are hidden, embedded in prices, complex, and incomprehensible. Taxes are withheld from paychecks.
- **Flat Tax:** The business component of the flat tax and payroll taxes are hidden and would be embedded in prices. Taxes are withheld from paychecks.
- **FairTax:** The FairTax is highly visible and easy to understand. No tax is withheld from paychecks.